Surge in saving and borrowing intentions post general election

Contributed by JGFR
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In the wake of consumer confidence at the highest since January 2000, and household finances at their strongest since 2007, financial activity in the coming months is set to be very strong.

The Q3 JGFR/GfK UK Financial Activity Barometer shows well above average activity in prospect, with 82% of adults intending to save, invest, borrow or pay down/repay debt, up from 80% in March and above the 13-year average of 76%.

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Most of the 18 categories of activity saw increases that took them to new, or close to, multi-year highs. Top of the saving, investment and borrowing activities is taking out a car financing plan with a 22 point rise to 168.1 compared to Q2 on a 2-quarter moving average, up 50 points on Q3 2014.

Sales of car financing plans have been one of the major financial services growth areas of recent years, reflected in record numbers of new car sales.

Demand for other consumer credit products is above average, especially credit cards and overdrafts.Personal loan demand is at its highest since March 2006.

Housing market confidence is up strongly after weakening in the March (Q2) survey reflecting general election uncertainty, with both mortgage and property purchase intentions up on the quarter.

Flows into savings and investment products are above average, with strong increases on the quarter in intended life and pension contributions, following a slowdown in March.

Of savings/investment products, ISAs are the most popular; they will have been boosted by changes to the amounts that can be invested, and the increase in flexibility of ISAs. Recent quarters have seen well above average ISA demand; a trend set to continue with around 40% of adults intending contributing.

Regular savings intentions have been a notable feature over recent quarters as many young people try to save up property deposits. Many people will also be saving regularly through using highinterest yielding current accounts. The JGFR Regular Savings Index is at a 13-year high (129.9).

Investor sentiment is strong with a pick-up in demand for government/corporate bond investments as investors target higher yields. Equity purchase intentions rose compared to March, and are above the long-term average, although the 2-quarter moving average has fallen back from recent multiyear
highs.

This quarter is notable for a record level of people intending to withdraw capital (10%) and also in selling stocks and shares (11%). The former may partly reflect people drawing down their pension pot with 8% of over 50s indicating such an intention in the coming year. Worries over Greece and the global economy may be leading people to sell investments.

With greater activity across financial products, a focus on family finances may well be a growing theme, with rising contribution levels to Junior ISAs/Child Trust Funds over the past 12 months.

The election of a Conservative Government continuing to put â€˜working familiesâ€™ at the centre of policy and using incentives to nudge behaviour towards self-reliance, with work the centre of income generation, will increase demands on the financial services industry for products and advice, and on employers for employee-friendly working conditions and benefits.

Since the recession people have continued to prioritise debt repayment to help reduce outgoings; the latest survey shows 31% of adults intending repaying debt, above the long-term average of 27%. The JGFR Debt Repayment Index in Q3 (below) is at its highest since Q4 2005 / Q1 2006.

Commented John Gilbert Chief Executive of JGFR :

â€œWith the July Budget adding to the raft of recent measures designed to get people pro-active with their personal finances, the challenge for the financial services industry is to enable the new policy framework to operate effectively and efficiently. The danger is of friction growing between freedom and regulation that in the past has resulted too often in mis-selling and compensation pay-outs.

The Q3 FAB shows the public demand for financial products and services to be very strong, servicing the demand will be the industry challengeâ€•